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SUBJECT: KUWAIT'S BUDGET: THE NEW MATH

1. Minister of Finance Bader Mishari Al-Humaidhi reported to local papers on July 3 that Kuwait posted a KD3.2 billion (\$11 billion) surplus for the 2004/2005 (1 April - 31 March) fiscal year. Income for Kuwait was almost three times higher than the original budget projections made last year. Approximately 91 per cent of the GOK's income is from oil revenues. The 2004/2005 Kuwait budget calculated income based on a \$15/barrel price estimate. Actual income from oil sales for the year was \$27.8 billion on an average actual price of \$35.50 per barrel. This is the sixth consecutive year that Kuwait has posted a budget surplus.

2. On June 29, Kuwait's National Assembly passed the state budget for Kuwait's fiscal year 2005/2006. The new budget projects a 2.6 billion KD deficit (\$10.5 billion), with an expected income of KD4.6 billion and expenses of KD7.2 billion. However, Kuwait is estimating its oil revenue to be only KD3.9 billion based on a very conservative \$21/barrel sale price for the fiscal year. With Kuwait export crude currently selling at an all-time high of \$49/barrel and production reaching 2.7 million bpd, local economic reports have forecast a surplus in revenue of over KD5 billion by the end of the year. Should that prove correct, Kuwait will have seven consecutive years of budget surplus.

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